

U.S. Trade Representative Robert B. Zoellick
Press Conference Following the WTO Informal Ministerial Meeting
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AMBASSADOR ZOELLICK: I'm going to start with a brief opening statement to review what I think we were doing here over the past couple of days. For us, the heart of the Doha Development Agenda is opening markets. It offers significant contributions to growth, development and overcoming poverty-and this was the focus of the United States in Tokyo.

The United States has sketched out a bold vision that the trading system should take over the next decade and beyond. We know these decisions are not easy, yet the goal is the right one. The United States has made aggressive, ambitious proposals in all three areas of market access: agriculture, industrial and consumer goods, and services. These proposals are designed both to open markets and to integrate our developing country partners into the global economy. At an uncertain time in the global economy, we are trying to offer ideas to cut deeply subsidies and tariffs, and to stir hope and opportunity and global investment and jobs.

Agriculture is at the heart of the Doha Agenda, and the initial draft modalities paper tabled by Chairman Harbinson was uppermost in the discussions this past weekend. Chairman Harbinson will be convening negotiating sessions over the next six weeks and revising his task accordingly. In July, the United States was the first member to table a comprehensive agriculture reform proposal covering the three main pillars: market access-that's primarily tariffs-domestic support and export subsidies. On export subsidies, we called for elimination, so we're pleased that this element is in the Harbinson text, although we'd like to see the elimination more quickly.

On domestic support, we proposed cutting \$100 billion in global annual subsidies and reducing disparity in the level of domestic subsidies among members, and this is an area which needs to be strengthened significantly in the next version of the Chairman's text.

On market access, or cutting tariffs, our approach called for harmonization on the way to elimination. Here also the Harbinson paper offers a start, but we and others have said that the cuts need to be much more ambitious. We know that bold reform proposals present hard decisions for some of our developed country colleagues, and it does so for the United States as well, but it's the right decision, and we need to forge ahead.

For developing countries, expanded market access and sharply reduced subsidies are key. If this is going to be a development agenda, it's got to focus on opening markets for agriculture, and deep cuts in tariffs are essential to accompanying the deep cuts in subsidies that the developing countries seek. Unfortunately, as our hosts in Tokyo briefed the press yesterday, they resist tariff cuts in agriculture, even though Japanese manufacturing and service industries could benefit a great deal from a spark in global trade. In our view, they're sacrificing Japan's strengths on the altar of rice. Ministers agreed that the Harbinson text will be a catalyst for future work. In the coming days, we will offer our suggestions for improvements. The Chairman is aiming to put forward a text after his consultations with members at the end of the month, and we look forward

to his next version, which we hope will be more ambitious.

Our success depends on the readiness of major partners to fulfill the promises of Doha. Of course, key will be the EU situation with respect to the reform of the Common Agricultural Program. As Commissioner Franz Fischler has stated publicly, Europe must realize CAP reform if the Doha Development Agenda is to reach its full potential-and he's right. The purpose and the prospects of the Doha Development Agenda depend on whether a few key capitals in Europe will look over the hedgerows to see the big picture of the world economy.

In the area of industrial and consumer goods, the United States has put forward a proposal to move to a world of zero tariffs-and this is essential to integrate developing countries into the new global sourcing networks emerging in the manufacturing sector. When we were at Doha, we agreed to address tariff peaks and tariff escalation for all products, particularly those of interest to developing countries, and our comprehensive proposal for harmonization transforms that debate by ending all tariffs, whether peaks, escalations, plateaus or mesas. This is an area of tremendous potential for developing countries, not only in terms of access to developed country markets, but also to promote South/South trade. The World Bank has estimated that 70% of the tariffs paid by developing countries are paid to other developing countries. India is Senegal's largest export market. Brazil is Mali's largest export market. Korea is the second largest export market for the Republic of Congo. With our vision of a tariff free world, we stand ready to work with poorer countries to address their concerns. Some mentioned revenues, some mentioned phasing. We note that high tariffs also increase what consumers in developing countries have to pay for the goods of livelihood.

Third, more than 30 countries to date have recognized the importance of services, making requests for liberalization, and approximately half of these requests were made by developing countries. So when we were here, we strongly encouraged other developing countries to participate actively in the services negotiation. The services sector is the fastest growing sector of total GNP in both low- and moderate-income countries, as is evidenced by the cell phone that keeps going off [laughter]. It accounts for some 56% of GDP in Latin America and 50% of GDP in East Asia. But in spite of the increasing shares of their economies-in the case of the United States, about two-thirds of our economy-services only account for about 20% of world trade. So we need to modernize the WTO to keep up with the modern world economy.

The United States played a central role at Doha in securing the Declaration on TRIPS and Public Health, which we know is very important to our partners in Africa. And at Doha, we agreed we had one more task, to find a solution to one narrow remaining issue: the use of compulsory licensing by countries that didn't have sufficient capacity to manufacture the needed pharmaceuticals. Unfortunately, a number of countries and outside interests sought to expand this issue, both in terms of diseases to be addressed and the countries eligible to export. This is not a disagreement about HIV/AIDS, tuberculosis, malaria, other epidemics or Africa. We will continue to work with others towards a multilateral solution within the WTO, but in the meantime we took a step of implementing a moratorium-not as a substitute, but as a sign of good faith not to challenge poor countries in the WTO that use compulsory licensing to meet their urgent health crises. We're pleased that Switzerland, Canada, Hungary and the European Union followed our lead and adopted similar steps. We hope that the government of Japan will join us

in this humanitarian response.

I visited sub-Saharan Africa recently, and I could see the economic, social and human devastation caused by HIV/AIDS. That's one reason why President Bush in his recent State of the Union message announced an emergency plan for AIDS relief by committing \$15 billion over the next five years to help with the most afflicted nations in Africa and the Caribbean. I was particularly pleased that some of our African colleagues came up to me and emphasized that this was the heart of what they needed to deal with, with HIV/AIDS.

We also discussed other parts of the Doha Agenda, notably development issues and some related to market access, like trade facilitation, transparency in government procurement. Some of our colleagues are interested in competition policy and investment, and we said we'd be willing to discuss and try to help on those issues as part of a balanced package. We also had the opportunity to exchange views on rules issues, notably trade rules dealing with unfair trade practices such as dumping and subsidies, which are increasingly being used against U.S. exporters, as well as subsidies to the fisheries sector.

At this time of anxiety in the world economy and the world at large, the United States has sought to step forward with a vision and concrete proposals for the global trading system. We're committed to working with developing countries to ensure that they can participate as full partners. I think we're going to face a few bumps in the road, because not all major countries are ready to move on agriculture, but we're going to keep our eye on the goal and we're going to keep pushing. I want to thank our hosts in Tokyo for convening this meeting and the fine hospitality they offered. Thank you.

QUESTION: Ambassador Zoellick, My name is Ravi Khan. I represent *Washington Trade Daily*. A couple of questions...

AMBASSADOR ZOELLICK: Used to be *Trade and Tariff Daily*, right, until we cut all the tariffs.

QUESTION: Yeah, OK... First and foremost, are you disappointed that your suggestion to consider Harbinson's text as a starting point was not agreed to by the Japanese chairperson? Does this mean that the inclusions that would come about in the revised text-if they have things like non-trade concerns, labeling and several other issues-would that not completely undermine what exists on the table? The second question: as regards the Brazilian proposal on TRIPS and public health, Paragraph 6 mechanism, would you agree with Ambassador Amorim that this can be a basis to have a multilateral solution in the coming days? And third, when would the U.S. ...

AMBASSADOR ZOELLICK: Wait, wait, wait... Two's enough. I can't remember that much... She said one, you took two; you can't steal three [laughter]. I'm a negotiator, after all, right? [laughter]. On agriculture, obviously there are very deep differences represented around this table. The United States stands with the agricultural exporting countries, developing countries, emphasizing that the Uruguay Round was just a start, and we have to move far beyond it in terms of eliminating export subsidies, deep cut in domestic subsidies, deep cut in tariffs. As I said in my opening statement, there are a number of countries that aren't ready for that yet. I

think if we're going to have a successful round, they're going to need to figure out a way to move forward. There are different ways in which you can have trade-offs.

I had a very interesting breakfast meeting that Ambassador Baker put on with some of the senior leaders of the Japanese business community, and I talked to them about our zero-tariff proposal, particularly in the manufacturing sector. If you look at Japan's economy, this is what it needs. Our proposal would eliminate three-quarters of the tariffs between the United States, EU and Japan. So, in a sense, Japan has had its economic position in trade negotiations hostage to 2% of the economy and 1.8% of its population. We hope that the participation of agriculture ministers will lead to a change in that process. In the European Union, we've got good colleagues with Lamy and Fischler. They're doing their best. But, as Fischler was quoted as saying in *The Financial Times*, they're going to need to get CAP reform to be able to move the process forward. Our hosts summarized the Harbinson paper saying it was a catalyst, and I think that's a fair point. I think we and others will all make the comments on the paper as it goes forward, and I think all countries are committed to seeking to meet the deadlines. The last point on that was that we emphasized that, look, we have an aggressive agenda in agriculture, but it's not only agriculture. My theme has been: If we don't move on agriculture goods and services, the heart of what the trading system is about, then we're not going to be successful. One of the reasons I'm trying to do this is to show some balance. There are industries in Japan and Europe that could benefit a great deal from elimination of tariffs in industrial goods and from expansion of service industries. So I hope that over time this message will get out. As I said, ultimately it's going to have to be heard by the capitals in Europe. In particular, some of those capitals believe that they are foremost advocates of the developing world, and they'll have to listen to the developing world, because what I heard was the developing world wants openness in agriculture.

On your second question, I don't really think it's fair to say there's a formal proposal. I think we had a good discussion about the points that I outlined in my statement. I emphasized that we don't have a problem offering the Doha definition for the African countries, so this really shouldn't be seen as an Africa issue, and for those of you that write about the issue, it's not an HIV/AIDS issue. It's an issue of whether you expand it to more countries with more diseases. I think there is a spirit of goodwill around the table. I think people realize that it's a sensitive political issue for all countries, so we'll keep trying to work for a multilateral solution. In the meantime, the United States is trying to do what it can, first with a moratorium, and second with the biggest financial commitment, by far, of any country or any group of countries to try to deal with the HIV/AIDS problem. Here again, I was very pleased I had a chance to talk with my African colleagues in Mauritius at the AGOA Forum a couple weeks ago. I explained this to them. A number of them came up to me here, and they said they know it's a sensitive issue, but frankly they feel the United States is trying and we're in part being held up by others.

QUESTION: I'm Sato Suzuki with TV Asahi of Japan. Mr. Ambassador, my question is about agricultural trade, agricultural tariffs-only one issue. At this point, why do you believe that the U.S. proposal is better than the first draft of Mr. Harbinson? How much benefits will consumers-consumers in Japan and consumers around the world-enjoy if the U.S. proposal is implemented? What's your message to farmers-farmers in Japan and farmers around the world? Do you really believe that they should compete on a truly level playing field, regardless of food security and regardless of multifaceted functions of agriculture and so on? Thank you.

AMBASSADOR ZOELLICK: When you look at the tariffs for different types of rice in Japan, they aren't just at 500% as many of you reported. They range from 500-1000%. So what's the effect of high tariffs? The effect of high tariffs is that rice-producing countries, many of whom are developing countries but also the United States, can't sell their products in Japan, but Japan wants to sell its cars and its consumer goods in the United States. We have a very large current account deficit with Japan. So is that fair? How would people in Japan react if we shut our markets to their goods? But the more important part is the consumer. You want to take care of the consumer? Let the consumer choose. Let the consumer cut the price of rice. The people who are hurt most by barriers for trade are those that have the lowest incomes, that can't afford to pay, whether it be food or apparel or textiles or shoes. That's one reason why, across the board, we're talking about eliminating all those tariffs in the goods area, as well as in the agriculture area.

Now, for farmers, Japan needs to face the reality, and I've talked about this... Information comes from many of my Japanese friends. Most of the Japanese farmers are not full-time farmers. They have very small farms. In most cases one member of the family has a separate job. It's a leftover. The way that the WTO system would help those people is that it authorizes the ability of governments to use payments to support them if they want, as long as they're delinked from production. So if the United States or Europe or Japan wants to have payments for people to keep them on the land, fine, but don't do it by blocking the goods of others. Don't do it by raising the prices of your consumers. Because ultimately, that just increases the cost of living, and as I said, given the challenges that Japan's economy has had over the past decade, isn't it in the interest of Japanese workers to be able to expand the global economy? Isn't it in the interest of Japanese manufacturers to have a growing world economy? Isn't it in the interest of expanding the Japanese service sector? So the question I would pose to you or to your listeners or viewers is: why put Japan's economy as a hostage to 1.8% of the people who are part-time farmers?

QUESTION: My name is Yamamoto. I belong to *Asahi Shimbun* newspaper. I'd like to hear your opinion about the decision-making process of Japanese trading issues. Don't you sometimes think it's too complicated because you have to deal with three ministries regarding agriculture negotiations?

AMBASSADOR ZOELLICK: Well, I enjoy meeting with all my ministerial friends. I had the wonderful opportunity to meet in Washington with Oshima-san, the agriculture minister. I know he's got a difficult job in the Diet, given the politics. I've worked closely with Hiranuma-san, the METI minister, on the way to Doha. And Minister Kawaguchi was the chair of this meeting. Each country sets up their own system the way they choose. We take it as it comes. What I tried to, however, communicate to some leading Japanese business people is that as that system coordinates its positions, please keep in mind the larger picture. We're clearly at a time of sensitivity in the world economy. There are anxieties on the security side. There are bigger goals here. There are bigger purposes, and we hope that Japan, however Japan comes to the decision, can see the strategic interest in global growth, the global trading system. I don't mean to suggest that these are easy issues. They're hard issues. They're hard for Japan. They're hard for Europe. We've got hard decisions. So I'm not trying to cast any stones here. These are not easy issues. But we decided after Doha to do what I think was appropriate for the United States to do-to demonstrate some leadership in all three market-access areas. And look, we've got our faults too, and I've got criticism at home with what we're trying to do. But if we're going to be successful

in taking the international economy where we need to take it, we need to have a vision, we need to have a goal, and we need to work towards it. And we will keep doing that.

QUESTION: Mr. Zoellick, I'm Clovis Rossi, from the *Brazilian Daily Folha de Sao Paulo*. Coming back to TRIPS and public health, and accepting that there is not a proposal that Brazilian Foreign Minister Amorim suggestion. Is it a good idea, a good suggestion, or at least a good starting point to solve the famous Paragraph 6 discussion?

AMBASSADOR ZOELLICK: I find all the ideas I get from Brazil to be good [laughter]. They're in varying degrees. I had a chance to work with Minister Amorim when he served in Geneva. I think he's trying to play a positive role. I think he's trying to come up with some useful ideas. Just so you get a sense of the framework here, the problem is the one that I've outlined. I think everybody wants to try to get this done, but in the course of the discussion of dealing with this narrow issue, it expanded. So, one way to deal with it would be to say, well, let's make sure that we're not covering drugs for obesity or Viagra or other issues. Let's focus on what we said we were going to focus on. We tried that. There was some rejection to it. Another was to say, well, let's really focus on the countries that need this. So this is a topic of discussion and debate that we take good suggestions from, and on this and many other issues, we find that the Brazilian delegation-the career officials as well as the new ministers-are good partners in ideas and dialogue. We also talked about the ALCA. We also want to focus on that with them.

QUESTION: Ambassador Zoellick, Daniel Pruzin of the Bureau of National Affairs. A question on agriculture: The U.S. has already made some comments in regards to the Harbinson text, saying it doesn't go far enough on certain issues. But at the same time, I'm sure your farm community would say that it goes way too far on some issues. I'm thinking, for example, the proposal on the diminimus rule. I'm thinking of the export-credit disciplines as well. I'm wondering, are you prepared to sell those two aspects of the Harbinson text to the Congress, to the American farmers, with all that implies, including potentially cutting off important export markets in emerging countries like Russia on export credits, and the big cuts in domestic support under the diminimus?

AMBASSADOR ZOELLICK: Our problem now is that the Russians keep putting new quotas on poultry and meat, so it has nothing to do with export credits. We ourselves have put forward the notion that export credits need disciplines, and in fact in OECD discussions we were one country away from reaching an agreement on that. So our own proposal has accepted that concept. We want to do it in a market-based way that recognizes the role of export credits, but in a market-based fashion. As for domestic support, again, we've been very transparent. The heart of our effort has been to say that however the domestic support-and these are not experts' money that's spent on subsidies that distort production, so it's not the green box, it's others- the problem we face is that after the Uruguay Round, Europe had a level, depending on exchange rates, of between about 60 and 65 billion dollars, permitted. Japanese had about 30 billion dollars. We're at 19.1 billion dollars. So our proposal was eminently fair. We say let's harmonize as we cut those, and we want to cut them significantly, and our proposal would've cut ours in half. Now, in the process of doing that, one of the areas that we feel that the Harbinson text was not as effective and as fair as it needs to be is in achieving that "harmonization" as we cut. If we can cut more, we can cut extra billions out of the domestic subsidies of the global system.

As for the support, we've had strong support in the United States on this, because our farm community feels that in most sectors it's highly competitive, and that if we can cut tariffs and open markets-and they were certainly willing to eliminate export subsidies. We only have about \$15 billion of that. The European Union, depending on the year, has between about 2 and 5 billion dollars - and we're willing to take the domestic support cuts too. But the message for our colleagues was we're not going to disarm unilaterally. Frankly, that's something they need to consider, because the United States is a wealthy country, and if it needs to spend money on its farmers it will. We're willing to cut, so we hope they will too.

QUESTION: I'm (inaudible) of *Sankei* newspapers. During your working session on your agriculture issues, I heard that you already proposed that if Japan and the European Union agree to reduce tariffs, you are ready to make a huge reduction in your domestic subsidies. How can you guarantee that, because, as far as I know, the United States has already mentioned that the prime rate of domestic subsidies would be capped by 2006? 2006 is after the 2004 presidential election, and you might be out of the administration, as well. How can you guarantee that kind of

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AMBASSADOR ZOELLICK: I'm shocked!

QUESTION: ... problem? Yeah, excuse me.

AMBASSADOR ZOELLICK: The key is that over the past two years, in addition to launching the Doha Agenda and coming forward with these proposals, we did our homework on the home front. We fought very hard to restore the President's trade-negotiating authority, what we call TPA, Trade Promotion Authority, which had lapsed for some eight years. That authority allows us to bring back a package as an up or down deal without amendments. The United States, when it's had that authority, has never failed to deliver an agreement, and in the multilateral case-to the best of my knowledge-by significant margins of support. But in addition, as the question I got earlier suggests, we've got support from our farm community to do this. We've got the farm groups, and the farm Congressmen are backing us, so we're not just coming up with theoretical positions. We're doing our homework with the Congress and with groups, and that really brings us back to where I started, which is, we have a goal for international trade, and at this time in the international economy it's particularly important to set that goal. In the agriculture area, it's to eliminate export subsidies, take \$100 billion out of domestic-subsidy support, significant cuts in tariffs. And look, our tariff proposal took our average agriculture tariff from 12% to 5%, and made no tariff-no tariff-higher than 25%. We have sensitive products too, as our Brazilian friends will note. Now, compare that with the position of Japan that has rice at 500-1000% and is unwilling to cut. So we've got to get a little bit more team spirit here.

Thanks.

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